

FISCAL STABILIZATION ACT

Act 80 of 1981

AN ACT to authorize certain cities and counties to issue general obligation bonds or obligations to fund an operating deficit or projected operating deficit; to prescribe the powers and duties of the state administrative board; to provide for the levy of ad valorem property taxes to pay the principal and interest on the bonds or obligations; to prescribe certain conditions related to the bonds or obligations; and to provide remedies for enforcement of this act.

History: 1981, Act 80, Eff. July 15, 1981;—Am. 1987, Act 279, Eff. Apr. 11, 1988.

The People of the State of Michigan enact:

141.1001 Short title.

Sec. 1. This act shall be known and may be cited as the “fiscal stabilization act”.

History: 1981, Act 80, Eff. July 15, 1981.

141.1002 State administrative board; powers and duties; actions of board.

Sec. 2. (1) The state administrative board, referred to in this act as the board, is vested with the following powers and duties relative to this act:

(a) To receive, review, and approve or deny an application by a city or county to issue bonds or obligations under this act.

(b) To call upon the assistance of state agencies or departments for information necessary to perform its functions under this act.

(2) All actions of the board in approving the issuance of bonds or obligations and determining the amount of the issuance shall be approved by a majority of the members of the board. All actions of the board taken pursuant to this act shall be conducted at a public meeting held in compliance with Act No. 267 of the Public Acts of 1976, as amended, being sections 15.261 to 15.275 of the Michigan Compiled Laws.

History: 1981, Act 80, Eff. July 15, 1981;—Am. 1987, Act 279, Eff. Apr. 11, 1988.

141.1003 Cities or counties authorized to borrow money and issue general obligation bonds or obligations to fund operating deficit.

Sec. 3. A city or county that meets the applicable conditions described in section 4 may borrow money and issue its general obligation bonds or obligations either for funding an operating deficit for a past fiscal year or years or for funding a projected operating deficit in the current fiscal year, or for funding both. The authority granted by this act is in addition to any power granted to a city or county by its charter or any other provision of law.

History: 1981, Act 80, Eff. July 15, 1981;—Am. 1987, Act 279, Eff. Apr. 11, 1988.

141.1004 Application for order approving bonds or obligations; resolution; determination of accumulated operating deficit; conditions and determinations; statement; issuance of order; determinations and findings conclusive; maximum amount of bonds or obligations; exceptions; bonds or obligations not subject to revised municipal finance act; agency financing reporting act applicable.

Sec. 4. (1) Before a city may make application to the board for approval to issue bonds or obligations under this act, the legislative body of the city shall determine by resolution that all of the following conditions exist:

(a) The city had an accumulated operating deficit as of the end of the last completed fiscal year or is projected to have an accumulated operating deficit at the end of the current fiscal year. The determination of the existence of an accumulated operating deficit or a projected accumulated operating deficit shall be made in accordance with generally accepted accounting principles.

(b) The amount of the deficit exceeds the amount that the city may borrow from the emergency municipal loan fund pursuant to the emergency municipal loan act, 1980 PA 243, MCL 141.931 to 141.942.

(c) The amount of the deficit is more than the city can fund by issuing tax anticipation notes under the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.

(2) Before a county may make application to the board for approval to issue bonds or obligations under this act, the legislative body of the county shall determine by resolution that the county had an accumulated operating deficit as of the end of the last completed fiscal year or is projected to have an accumulated operating deficit at the end of the current fiscal year. The determination of the existence of an accumulated

operating deficit or a projected accumulated operating deficit shall be made in accordance with generally accepted accounting principles.

(3) If the legislative body of a city or county determines that all of the conditions described in subsection (1) or (2) exist, respectively, it shall also in the same resolution make the following determinations:

(a) The amount of the accumulated operating deficit that was incurred or is projected to exist at the end of the current fiscal year.

(b) The maximum amount of bonds or obligations necessary to fund the deficit and provide funds for the purposes described in section 5.

(4) Before adopting a resolution authorizing the issuance of the bonds or obligations, the city or county shall apply to the secretary of the board for an order approving issuance of the bonds or obligations by the city or county and shall attach to the application a copy of the resolution described in this section.

(5) The board shall require that the city or county provide the board with a statement signed by the chief executive officer of the city or county, if a charter county, or the chairperson of the board of county commissioners, which statement indicates how the city or county intends to avoid future deficits. The statement is a condition that shall be met as part of the application by the city or county to the board for issuance of bonds or obligations under this act.

(6) Within 7 days after receipt of a full and complete application as determined by the board, the board shall issue an order approving issuance of bonds or obligations by the city or county in an amount not exceeding the amount determined to be necessary by the legislative body of the city or county under subsection (3) or denying the application.

(7) After approval of the board, the determinations and findings made by the legislative body of the city or county pursuant to this section are conclusive.

(8) The maximum amount of bonds or obligations that are unlimited or limited tax bonds or obligations that may be issued by a city or county under this act shall not exceed 3% of the state equalized valuation of real and personal property located within the territorial boundaries of the city or county, respectively, or the maximum principal amount of all bonds or obligations that may be issued by a city or county under this act shall not exceed \$125,000,000.00. The limitations provided by this subsection do not include bonds or obligations or portions of bonds or obligations used to pay for any of the following:

(a) Amounts set aside for a reserve for payment of principal, interest, and redemption premiums.

(b) Expected costs of issuance of the bonds or obligations.

(c) The amount of any discount.

(d) Bonds or obligations issued to refund outstanding bonds or obligations.

(9) Except as provided in section 7, the issuance of bonds or obligations under this act are not subject to the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821. The issuance of bonds or obligations described in this subsection is subject to the agency financing reporting act.

History: 1981, Act 80, Eff. July 15, 1981;—Am. 1987, Act 279, Eff. Apr. 11, 1988;—Am. 2002, Act 444, Imd. Eff. June 17, 2002.

141.1005 Bonds or obligations; amounts included.

Sec. 5. Subject to the limitation of section 4(8), the amount of bonds or obligations issued pursuant to this act may include the amount necessary to fund the accumulated operating deficit of the city or county or projected accumulated operating deficit of the city or county as determined pursuant to section 4, a reserve to secure payment of principal or interest on the bonds or obligations in an amount not exceeding the maximum amount of principal and interest becoming due on the bonds or obligations in any fiscal year, a discount of not to exceed 10% of the principal amount of the bonds or obligations, and an amount sufficient to pay all legal, financial, accounting, election, printing, and other expenses related to the issuance of the bonds or obligations.

History: 1981, Act 80, Eff. July 15, 1981;—Am. 1987, Act 279, Eff. Apr. 11, 1988.

141.1006 Bonds or obligations; terms and conditions.

Sec. 6. The bonds or obligations may be serial bonds or term bonds or a combination of serial and term bonds, shall mature in not more than 30 years, may bear interest at a rate or rates, may be subject to redemption prior to maturity with or without premium, may be sold in 1 or more series at public or private sale at a discount of not to exceed 10% of the principal amount of the bonds or obligations, and may have other terms and conditions all as determined by resolution of the legislative body of the city or county.

History: 1981, Act 80, Eff. July 15, 1981;—Am. 1987, Act 279, Eff. Apr. 11, 1988.

141.1007 Levy of property taxes for payment of principal and interest on bonds or obligations.

Sec. 7. A city or county that issues bonds or obligations that are unlimited or limited tax bonds or

obligations under this act shall annually levy sufficient ad valorem property taxes for payment of principal and interest coming due on the bonds or obligations prior to the next collection of taxes as required by the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821. In determining the amount of the annual levy necessary for the payment of the principal and interest, credit may be taken for other revenues available and pledged for payment of the bonds or obligations. If the bonds or obligations have been approved by a majority vote of the qualified electors of the city or county voting on the question, the levy of taxes for payment of principal and interest on the bonds or obligations is not subject to limitation as to rate or amount, and taxes for the payment of the principal and interest are in addition to all other taxes that the city or county may otherwise be authorized to levy.

History: 1981, Act 80, Eff. July 15, 1981;—Am. 1987, Act 279, Eff. Apr. 11, 1988;—Am. 2002, Act 444, Imd. Eff. June 17, 2002.

141.1008 Issuing bonds or obligations by resolution without vote of electors and publication of notice; submitting question to electors; approval or disapproval; actions taken prior to effective date of act.

Sec. 8. The bonds or obligations may be issued by resolution of the legislative body of the city or county without vote of the electors and without publication of a notice of intent to issue bonds or obligations as required by section 5(g) of Act No. 279 of the Public Acts of 1909, as amended, being section 117.5 of the Michigan Compiled Laws. The legislative body of the city or county may submit to the electors of the city or county the question of issuing the bonds or obligations. If the question is approved, the bonds or obligations may be issued as unlimited tax bonds or obligations. If the question is not approved by the electors, the bonds or obligations may be issued as limited tax bonds or obligations, as bonds or obligations payable solely from a specified source or sources of revenues lawfully available to the city or county, or as a combination of limited tax bonds or obligations and bonds or obligations payable solely from those specified revenue sources. Any actions taken before July 15, 1981 to submit to the electors of a city the question of issuing bonds or obligations similar to the bonds or obligations authorized by this act or the question of pledging the city's unlimited taxing power to bonds or obligations described in this act are ratified and confirmed and are effective with respect to bonds or obligations issued pursuant to this act.

History: 1981, Act 80, Eff. July 15, 1981;—Am. 1987, Act 279, Eff. Apr. 11, 1988.

141.1009 Bonds or obligations subject to Michigan municipal distributable aid bond act; powers of legislative body; pledge; covenants and promises; special fund; use of taxes; definition.

Sec. 9. (1) All bonds or obligations issued pursuant to this act before the effective date of the amendatory act that added subsection (2) are subject to the requirements of the Michigan municipal distributable aid bond act, Act No. 97 of the Public Acts of 1981, being sections 141.1021 to 141.1030 of the Michigan Compiled Laws.

(2) Unless otherwise provided by the city or county in the resolution required by section 4, bonds or obligations issued pursuant to this act on or after the effective date of the amendatory act that added this subsection are not subject to the requirements of the Michigan municipal distributable aid bond act, Act No. 97 of the Public Acts of 1981, notwithstanding that distributable aid is pledged or assigned to secure bonds or obligations under this act.

(3) In the resolution authorizing the bonds or obligations, the legislative body of the city or county may provide for appointment of a trustee, escrow agent, or other person to hold funds or reserves for payment of the bonds or obligations and to perform other duties as the city or county determines, may provide for the vesting in the trustee, escrow agent, or other designated person the property, rights, powers, and remedies as the city or county determines, may pledge and create a lien upon any unencumbered revenues or taxes of the city or county, and may provide for payment of pledged revenues or taxes directly to a paying agent, trustee, escrow agent, the state treasurer, or other person to be held and used solely for payment of principal and interest on the bonds or obligations. A pledge pursuant to this act for benefit of bondholders or others is perfected without delivery, recording, or notice. The resolution authorizing the bonds or obligations also may provide for covenants and promises with respect to fiscal, budget, and accounting matters that are considered necessary or appropriate in the judgment of the city or county to sell the bonds or obligations to the best advantage of the city or county.

(4) In the resolution authorizing the bonds or obligations for the payment of the bonds or obligations, the city or county may further pledge money received or to be received by the city or county derived from the imposition of taxes by the state and returned or to be returned to the city or county as provided by law except for money that the state constitution of 1963 prohibits for use for such a pledge. The city or county and the state treasurer may enter into an agreement providing for the direct payment of that money, which is derived

from taxes that are collected by the state and returned to the city or county as provided by law, to a trustee, and that money may be pledged by the city or county for the payment of bonds or obligations issued under this act. If the city or county and the state treasurer enter into such an agreement, the state treasurer shall pay the pledged money in accordance with the provisions of the agreement. This subsection shall not be construed to do any of the following:

(a) Create or constitute state indebtedness.

(b) Require the state to continue to impose and collect taxes from which distributable aid is paid or to make payments of distributable aid.

(c) Limit or prohibit the state from repealing or amending a law enacted for the imposition of taxes from which distributable aid is paid, for the payment or apportionment of distributable aid, or for the manner, time, or amount of distributable aid.

(5) With respect to bonds or obligations issued on or before September 30, 1988, in the resolution authorizing the bonds or obligations, the legislative body of the city or county may provide that, from each collection of ad valorem property taxes after the issuance of the bonds or obligations, there shall be set aside in a special fund, to be used for the payment of principal and interest on the bonds or obligations, an amount equal to the total amount of the collection multiplied by a fraction determined as follows:

(a) The numerator of the fraction is 125% of the amount of principal and interest coming due on the bonds or obligations in the current fiscal year.

(b) The denominator of the fraction is the total amount of the tax levied for the current fiscal year multiplied by a fraction, the numerator of which is the total of the taxes collected during the 5 prior fiscal years and the denominator of which is the total of taxes levied during the 5 prior fiscal years.

(6) An authorizing resolution under subsection (4) or (5) may provide that all or any portion of the taxes collected and set aside as provided in subsection (5) shall not be used for any other purpose.

(7) As used in this section, "distributable aid" means that term as defined in section 2 of the Michigan municipal distributable aid bond act, Act No. 97 of the Public Acts of 1981, being section 141.1022 of the Michigan Compiled Laws.

History: 1981, Act 80, Eff. July 15, 1981;—Am. 1987, Act 279, Eff. Apr. 11, 1988.

141.1010 Action to enforce compliance with act.

Sec. 10. An action brought by the board, a city, or a county to enforce compliance with this act shall be brought in the circuit court for the county of Ingham.

History: 1981, Act 80, Eff. July 15, 1981;—Am. 1987, Act 279, Eff. Apr. 11, 1988.

141.1011 Conditional effective date.

Sec. 11. This act shall not take effect unless House Bill No. 4563 of the 81st Legislature is enacted into law.

History: 1981, Act 80, Eff. July 15, 1981.

Compiler's note: House Bill No. 4563, referred to in this section, was approved by the Governor on July 15, 1981, and became P.A. 1981, No. 97, Imd. Eff. July 15, 1981.